



NATIONAL ENDOWMENT FOR THE  
**Humanities**

OFFICE OF INSPECTOR GENERAL

January 22, 2015

**RETURN RECEIPT REQUESTED**

Board of Directors  
Vermont Humanities Council  
11 Loomis Street  
Montpelier, VT 05602  
Attn: [REDACTED] Board Chair

OIG Report Number: OIG-15-03 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Mudgett, Jennett & Krogh-Wisner, CPAs, which includes the Federal assistance programs administered by the Vermont Humanities Council (the "Council"), for the year ended December 31, 2013. The independent auditors (IPA) previously furnished a copy of their audit report (dated May 8, 2014) to the Council and submitted the related reporting package to the Federal Audit Clearinghouse. The IPA issued unmodified opinions<sup>1</sup> regarding the financial statements and Federal compliance. Furthermore, no written findings were issued in conjunction with the single audit.

Our review was limited to an examination of the audit report and email correspondence with the IPA. We did not examine the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports (2010 Edition)*, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), was used to determine whether the audit report meets the core reporting requirements stipulated by Office of Management and Budget (OMB) Circular A-133. Audit reports determined to be *technically deficient* or *unacceptable* require corrective action.

We determined that the audit report generally meets Federal reporting requirements<sup>2</sup>, with the following exception:

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<sup>1</sup> An unmodified opinion represents the IPA's highest level of assurance, indicating that the audited entity's financial statement presentation (to include Federal grant activity) materially complies with applicable auditing standards and Federal requirements stipulated in OMB Circular A-133: *Audits of States, Local Governments, and Non-Profit Organizations*.

<sup>2</sup> Of the four possible conclusions applicable to a single audit desk review, the NEH-OIG has concluded that the Council's FY2013 audit report is *Acceptable with Deficiencies*, [i.e. the report contains quality deficiencies that should be brought to the attention of the auditor (and auditee) for correction in future audits]."

### **Federal Compliance Testing**

For each “major program” selected, Single Audit standards require an IPA to determine whether any of the fourteen compliance elements unique to Federal grants apply. Typically, Federal grants require recipients to provide funding agencies with a combination of financial and performance reports for monitoring purposes. In the case of the Council’s 2013 audit, the IPA’s major program selection consisted of NEH’s *Federal/State Partnership: General Support Grant* (CFDA #45.129; NEH award SO-50449-11). Program guidance requires award recipients to submit both financial and performance reports on a recurring basis. Accordingly, the IPA selected a sample of these reports for testing. This audit work did not identify any reportable weaknesses.


As part of our testing, we reviewed the filings associated with NEH award SO-50449-11 and determined that all of the Council-prepared *Federal Financial Reports* (FFRs) contained rather glaring errors. Specifically, multiple line items were left blank and/or included incorrect amounts. In fact, the reports erroneously state that none of the Federal funds were spent which resulted in the improper reporting of very large unobligated balances. In accordance with the Single Audit and Yellowbook standards, this material error should have been brought to the Agency’s attention through the issuance of a written finding. Without notification, funding agencies remain unaware of these issues and, consequently fail to enact required corrective action.

Moving forward, we expect Council management to immediately implement new controls and provide staff with the necessary training to ensure all future FFR submissions are free from errors. Please be advised that there is no need to revise the FY2013 audit report and/or resubmit the single audit reporting package to the Federal Audit Clearinghouse since NEH represents the Council’s only source of Federal funds and our office has alerted Agency management of the matter. However, future audit reports with similar omissions will be deemed unacceptable submissions by the NEH Office of Inspector General.

Please note that we are sending this letter to the audit manager at Mudgett, Jennett & Krogh-Wisner to inform her of the results of our review.

If you have any questions concerning this letter or need accounting assistance, please contact Mr. Steve Elsberg at (202) 606-8353 or via email at [selsberg@neh.gov](mailto:selsberg@neh.gov).

Sincerely,



Laura Davis  
Inspector General

### **Distribution List:**

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